

Development Costs

Costs to develop the tool have been minimal. Our original cost estimate for the project was \$150,000. We anticipate coming in under budget at about \$100,000. These costs were distributed as reported in the February Parker-Davis Funding Board meeting between the Parker-Davis (generation and transmission—25/75 split) and Intertie power systems.

Continuing Costs

Tool maintenance costs as well as charges associated with the cash manager position have not begun. These costs will be split among all power systems using alternative financing.

Other Strategies

Cash management is just one of the strategies used by Western's DSW staff to provide accurate, timely and complete accounting and budget information. We are committed to continuing to improve our financial data and reporting mechanisms and to identify ways to improve financial procedures and tools and reduce charges, while delivering continued high-quality products and services.

To find out more about our cash management strategies, contact Florence Brooks, Cash Manager, at 602-352-2479 or Debby Emler, Finance Manager, 602-352-2566.

Desert Southwest Region
615 S. 43rd Avenue
Phoenix, AZ. 85009-5313
602-352-2525
Fax: 602-352-2630



CASH MANAGEMENT



Desert Southwest Region
Customer Meeting
September 14, 2004

Western's mission is to market and deliver reliable, cost-based hydroelectric power and related services. Our vision is to be a premier power marketing and transmission organization. In the Desert Southwest Region, we carry out this mission every day as we strive toward achieving the vision. Whether we're maintaining the transmission lines and substations, operating the grid or providing the back office services that support these customer-facing tasks, we're all working together to serve you with Federal hydropower.

Our accounting and budgeting information must be timely, accurate, and complete. Due to an increased Congressional emphasis on homeland security and defense, we expect our appropriations to continue to decline. Despite this increased pressure on our appropriated budget, DSW plans to continue delivering the same high-level of customer service and to endeavor to make further improvements. To accomplish this, we will continue to pursue opportunities to join with customers to finance activities that result in cost savings and increased efficiencies.



Cash Management Initiative

DSW has worked jointly with several customers to use various alternative financing arrangements to offset these limitations on appropriated funding, including advance funding, reimbursable agreements, net billing and bill crediting. Because we're using contracts with provisions that reduce cash available to meet our future financial obligations, we must track cash available--both today and in the future. We expect these and other alternative financing arrangements will increase as we identify and seize new opportunities.

Cash Management Implementation

To facilitate these new billing and payment arrangements, we've developed a tool and methodology to ensure we can absorb the arrangements into our portfolio. Our cash management tool can:

- Determine current and future available cash
- Forecast trends
- Analyze draft contract specifications through the tool; assessing available cash to support draft and established contracts throughout contract payment terms

We're also staffing a cash manager position to:

- Maintain the cash management system
- Monitor cash
- Analyze information and trends
 - Locate other tools available to us to efficiently and effectively monitor and reduce costs

Customer Benefits

Customers will benefit from this new initiative in these ways:

- Draft contract reviews from a financial perspective will ensure proposals provide adequate funding.
- Impacts of new contract provisions will be identified for customers and Western.
- Automated and streamlined procedures will potentially reduce costs.
- Coordination and reporting capabilities will improve both internally and with customers.
- Augmented current internal control procedures should improve financial data.

DSW Benefits

The tool and cash manager position were created to improve DSW's financial operations in several areas by:

- Identifying available cash--both current and future
- Automating current processes and connecting different systems' information
- Tracking and coordinating between organizations
- Developing procedures to determine available cash to meet our financial obligations as well as provide low-cost service to our customers
- Upgrading current, slower manual processes that are time-intensive and have a potential for error
- Using internal controls to ensure new contracts do not cause a violation of the Anti-Deficiency Act